

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP
OCTOBER 5, 2011**

DIRECTORS PRESENT

Jim Haselton, Committee Chair
Mike Safranski, Committee Member

STAFF PRESENT

Don Chadd, General Manager
Hector Ruiz, District Engineer
Teresa Teichman, District Secretary
Michael Perea, Special Project Manager
Karen Warner, Accounting Supervisor

PUBLIC PRESENT

No members of the public were present.

CALL MEETING TO ORDER

Committee Chair Haselton called the September 7, 2011 Finance/Audit Committee Meeting to order at 7:08 a.m.

VISITOR PARTICIPATION

Public comments were announced. No comments were received.

ORAL COMMUNICATION

Oral communication was announced. No comments were received.

COMMITTEE MEMBER COMMENTS

There were no committee member comments.

REPORT FROM THE GENERAL MANAGER

Mr. Don Chadd, General Manager, advised there is nothing to discuss or report that is not covered under the agenda.

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FINANCIAL MATTERS

ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP

The September 7, 2011 Finance/Audit Committee Meeting Recap was presented to the Committee.

Recommendation: *The Committee recommended that the September 7, 2011 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).*

**ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES
AND FUTURE MEETINGS**

The Committee reviewed this matter. No changes were made.

President Safranski inquired if this will continue to be the format for reviewing Director attendance. Mr. Chadd clarified this item has been moved back onto the consent calendar, per Board direction, at the time of the September 21, 2011 Regular Board meeting. Mr. Chadd reminded the committee that in 2010, Mrs. Teresa Teichman, Secretary to the Board, changed the format of the Ratification of Direct meeting dates to represent meetings attended between the dates of each monthly Board meeting instead of each calendar month. Mr. Chadd stated this has been an improvement to the system and has reduced corrections.

Recommendation: *The Committee recommended that the Directors' expenses for August/September 2011 and fees for August/September 2011 be forwarded to the Board for ratification. (Consent Calendar)*

**ITEM NO. 3) STATUS UPDATE RELATING TO TCWD FISCAL YEAR
AUDIT 2010/2011**

Mr. Chadd advised he spoke with Neil Glass of Leaf & Cole, LLP Audit Firm. Mr. Glass has advised he is on schedule to complete the 2010/2011 fiscal year audit in November, 2011 and Mr. Chadd anticipates bringing this item to the Board at the time of the December 2011 Regular Board Meeting.

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ITEM NO. 4) STATUS UPDATE RELATING TO STORM DAMAGE

Mr. Hector Ruiz, District Engineer, provided a status update relating to the 8-inch Rose Creek Crossing. Mr. Ruiz advised he meet with the Department of Fish and Game (DFG) at the site and was told there is concern relating to the oak trees in the area, however; there will be no mitigation required for this project. Mr. Ruiz stated he anticipates hearing back from the Army Corp of Engineers along with the Regional Water Quality Control Board by the end of this month.

Mr. Ruiz stated he had the representative from DFG look at the site of the 16-inch Serrano Creek Crossing. The initial response from the representative was that DFG would not permit a project in this area. Mr. Ruiz noted required mitigation for a project to occur in this area would be cost prohibitive. Mr. Ruiz advised he will be forward these comments to the Office of CalFEMA, who in turn will forward to the FEMA office.

President Safranski asked Mr. Ruiz if TCWD's ACWA-JPIA insurance might cover some of these associated damages. Mr. Ruiz responded the ACWA-JPIA insurance is limited to damage to facilities, not infrastructure.

Recommendation: *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 5) DISCUSSION AND POSSIBLE ACTION RELATING TO
ADJUSTMENT TO SEWER SERVICE FEES**

Mr. Don Chadd, General Manager, advised it is too soon to have concrete information on this matter. Mr. Chadd stated it is his intention to leave this item on the Finance/Audit, Engineering, and Board agendas so that the community has the opportunity to participate in the discussions relating to a sewer service fee.

Recommendation: *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 6) DISCUSSION AND POSSIBLE ACTION RELATING TO
MET/MWDOC RATE ADJUSTMENT**

Mr. Don Chadd advised he does not have an exact percentage of anticipated increase and explained TCWD's Contract Accountant has an injury and has had limited ability to come to work. Mr. Chadd reminded the committee that at the time of last year's public hearing, the Board of Directors approved a "pass-through" mechanism which allows TCWD to pass-through, to customers, the increased cost of TCWD's treated and untreated water purchased from

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MWDOC/MET. Mr. Chadd advised this year, TCWD is required to send out attachment “A” and “B” in the form of a 30 -day notice which is required to be mailed to all customers prior to the rate adjustment effective date of January 1, 2011.

Mr. Chadd explained TCWD’s pie chart and discussed percentages of costs relating to water. Mr. Chadd stated he anticipates an increase to customers of \$0.05 per billing unit.

Mr. Safranski shared information he recently read relating to possible revised pumping restrictions in the Bay Delta area.

Discussion occurred relating to MET penetrating their reserves to a level that has financial analysis concerned. Discussion continued relating to the level of benefits MET Directors receive and the culture of the MET Board.

Further discussion occurred relating to TCWD’s message to customers that TCWD has done all it could to cut and contain costs, that this rate increase is simply a percentage of “pass-through” from the MET/MWDOC agencies. Mr. Chadd stated the long term solution for TCWD is to look at increasing flat fees and not be as dependent on commodity.

Recommendation: *The Committee received and filed the status update. No action necessary.*

ITEM NO. 7) OTHER MATTERS

Mr. Chadd advised the District Engineer and he met yesterday with the developer from Robinson Ridge as it relates to due diligence on the part of the developer. Mr. Chadd stated the developer is keenly interested in the Shadow Rock Detention Basin project due to the onerous requirements of the National Pollutant Discharge and Elimination System (NPDES) in place at the County of Orange. Mr. Chadd stated the developer may be willing to expand the current basin at the facility. Mr. Chadd stated the developer may ask TCWD for commitments in advance. President Safranski asked if TCWD owns the property on which Shadow Rock Detention Basin is located. Mr. Chadd responded TCWD has an easement over the property which is owned by the Trabuco Highland Community Association (THCA). Mr. Chadd advised THCA would likely not oppose the improvements and this could be considered an aesthetic amenity much like Dove Lake. President Safranski clarified the only property which TCWD owns outright in that general area is the Porter Property. Mr. Chadd confirmed that is correct.

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ITEM NO. 8A) PRESENTATION OF JULY 2011 UNAUDITED FINANCIAL STATEMENT

Mr. Chadd advised the format of this report was scheduled to be revised in time for the August Finance/Audit Committee meeting in order to reflect more accurately the trend analysis and comparative information presented on a monthly basis. Mr. Chadd stated Ms. Navaroli apologizes that the August report is not in the expanded version she would like to present.

Mr. Chadd reviewed page three, columns A and B, noting the heading for column B should reflect July, not August.

Vice President Safranski and Director Haselton questioned the year-to-date difference between column A and B. Mr. Chadd stated he will ask Ms. Navaroli for clarification and get back to the committee.

Recommendation: *The Committee recommended that the Board receive and file the August 31, 2011 preliminary unaudited financial statement, as presented. (Consent Calendar).*

ITEM NO. 8B) BILLS FOR CONSIDERATION

The bills for consideration were presented.

Recommendation: *The Committee recommended that the Board ratify payment of September 20, 2011 bills for consideration in the amount of \$201,489.57, and the October 5, 2011 bills for consideration in the amount of \$319,396.12 and the September 2011 payroll in the amount of \$157,096.69 as presented. (Consent Calendar).*

ADJOURNMENT

Committee Chair Haselton adjourned the October 5, 2011 Finance/Audit Committee Meeting at 7:48 a.m.